

The Outlook for the U.S. Livestock and Poultry Sector

**USDA Outlook Forum
Washington, D.C.
February 23, 2001**

Some Key Factors to Watch This Year

- **Feed costs are expected to remain relatively low.**
- **Income growth will continue to support meat purchases in the United States and in our export markets.**
 - **Energy costs a concern.**
- **BSE situation in Europe is assumed to have limited impact. There could be trade shifts that benefit U.S. meat products.**

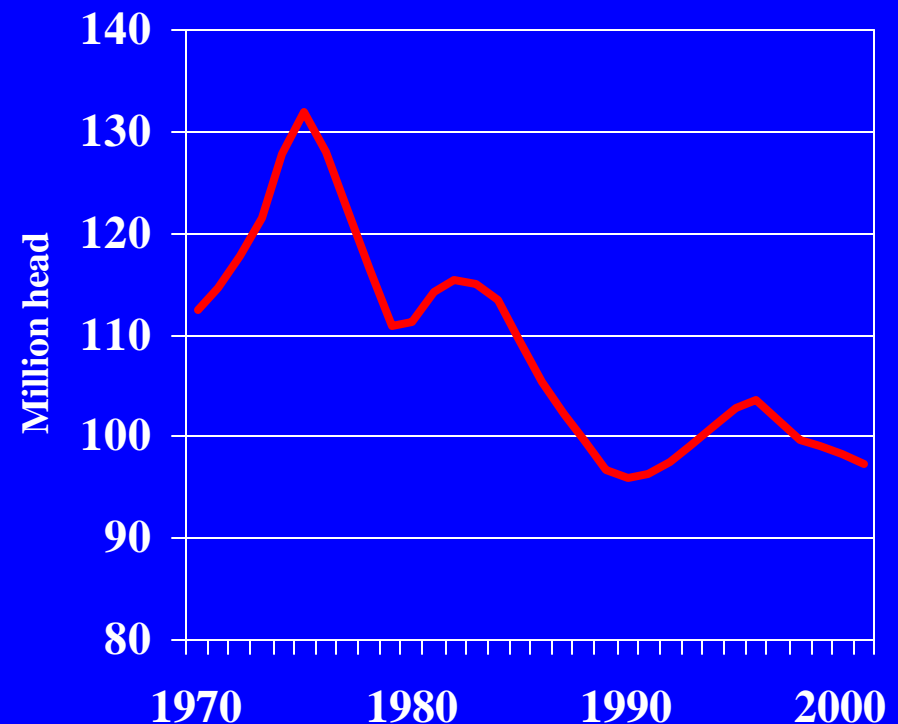
Meat Production Holds Steady in 2001

- **Red meat production to fall 1-2 percent.**
 - **Beef declines 3-4 percent.**
 - **Pork gains 2-3 percent.**
- **Poultry production continues to grow.**
 - **Broiler meat increases 1-2 percent.**
 - **Turkey rises 3-4 percent.**

Cattle Liquidation Continued in 2000

- January 1, 2001 cattle inventory declined 1 percent to 97.3 million head.
- Inventory to fall below 97 million by end of 2001.
- Upturn in inventory is not likely until January 1, 2004.

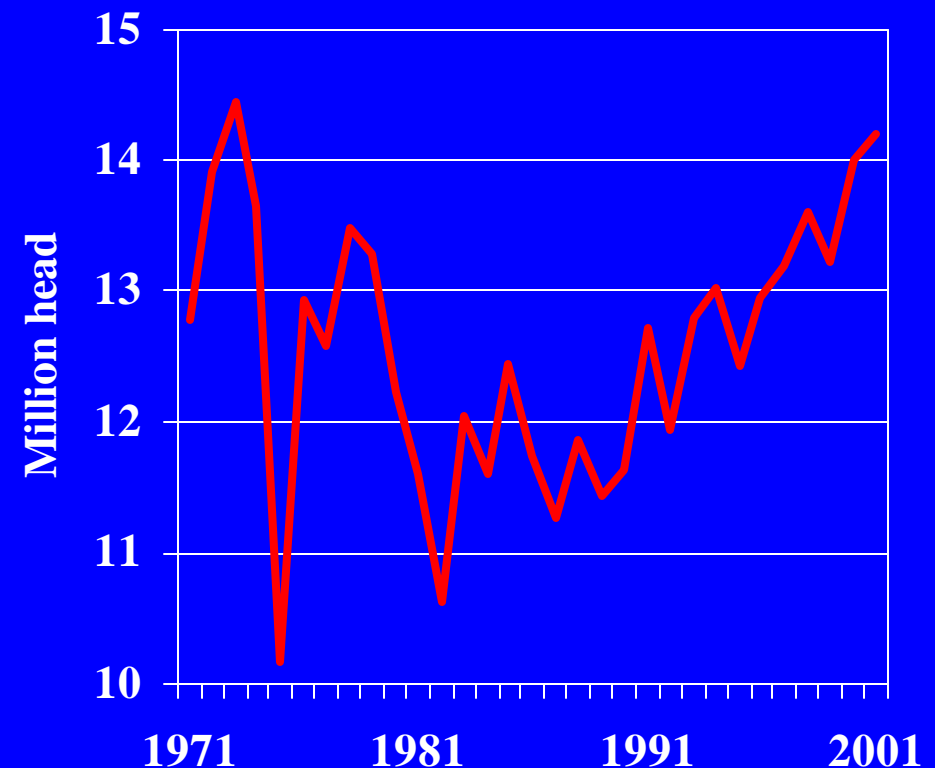
Cattle Inventory on
January 1



High Placements Bumped Beef Production Higher

- January 1, 2001 U.S. total cattle on feed number rose to 14.2 million head.
- Dry conditions throughout the year forced cattle into feedlots.
- Rising fed cattle prices encouraged cattle feeders to market cattle.

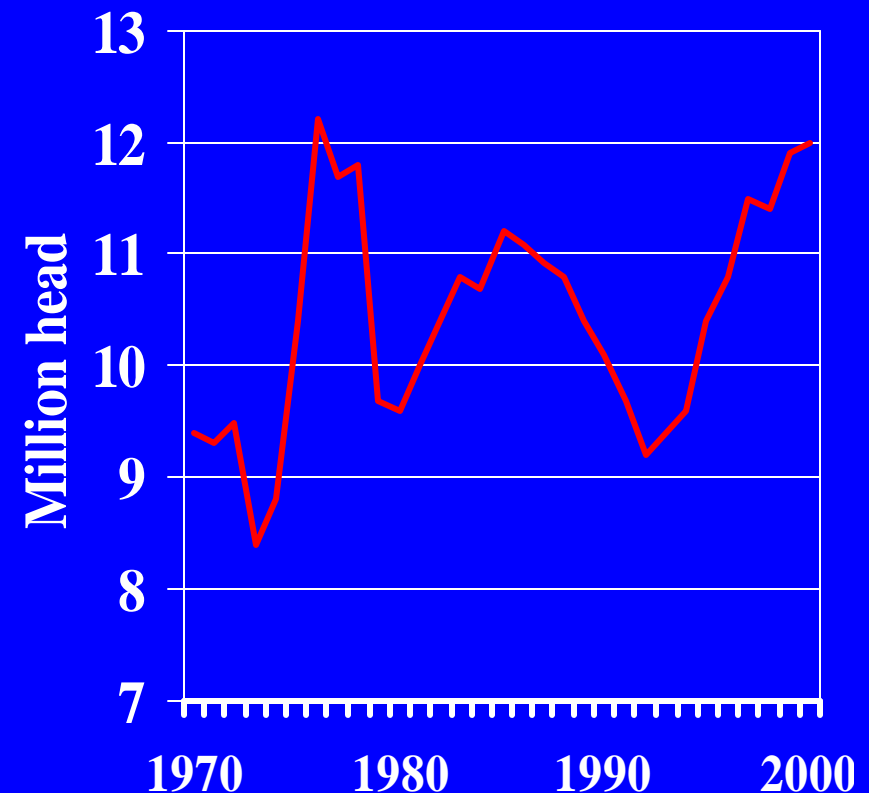
US Total Cattle on Feed



Producers Didn't Retain Heifers in 2000

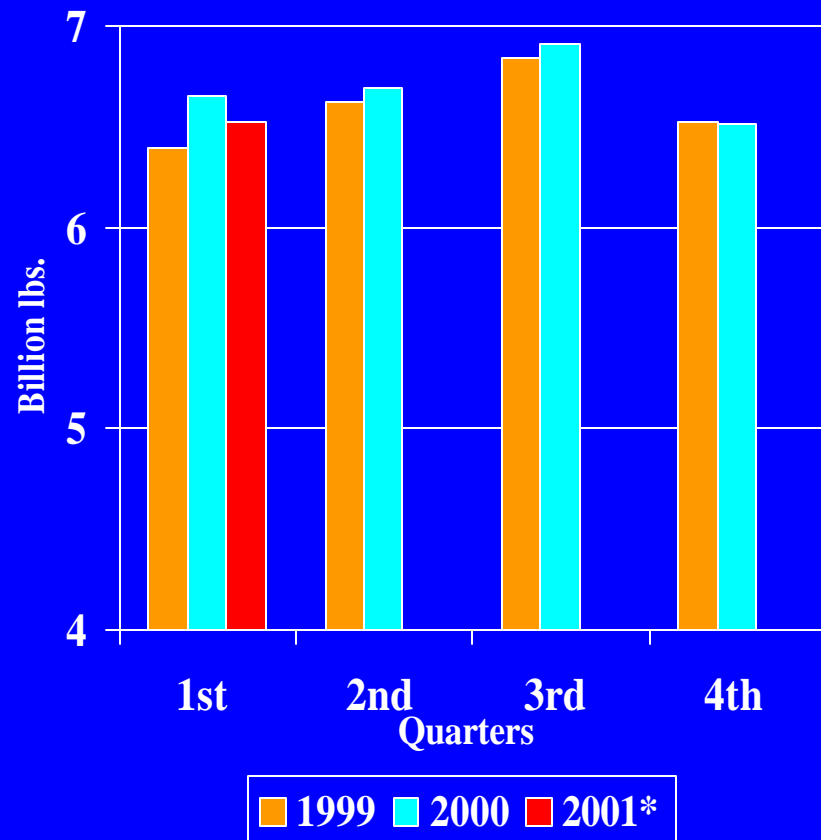
- Heifers accounted for over 40 percent of cattle supplies for 7-State, 1,000+ feedlots.
- Commercial heifer slaughter surpassed 12 million head, the second highest on record.
- Replacement heifers were up 1.5 percent on January 1, but heifers expected to calve likely to fall below 2000 level.

Heifer Slaughter



Beef Production in 2001 to Fall to 25.7 Billion Pounds

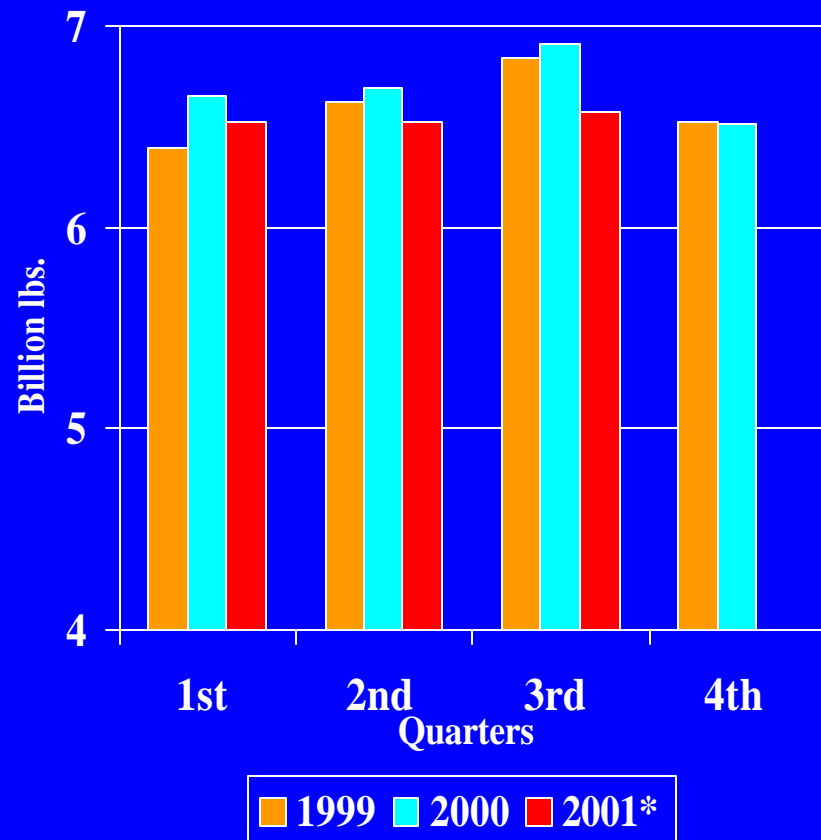
- First quarter production to fall below year earlier.



*Forecast

Beef Production in 2001 to Fall to 25.7 Billion Pounds

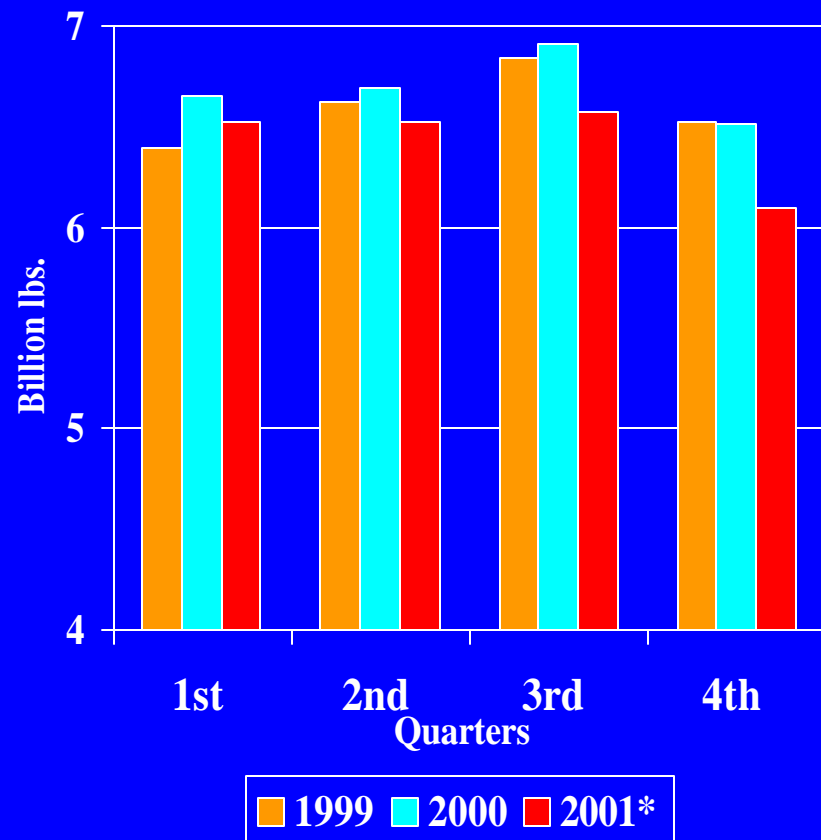
- First quarter production falls below year earlier.
- Production flattens out in 2nd and 3rd quarters, but below year earlier, as late 2000 cattle are marketed.



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Beef Production in 2001 to Fall to 25.7 Billion Pounds

- First quarter production falls below year earlier.
- Production flattens out in 2nd and 3rd quarters, but below year earlier, as late 2000 cattle are marketed.
- By last quarter, beef production expected to drop more than 6 percent.

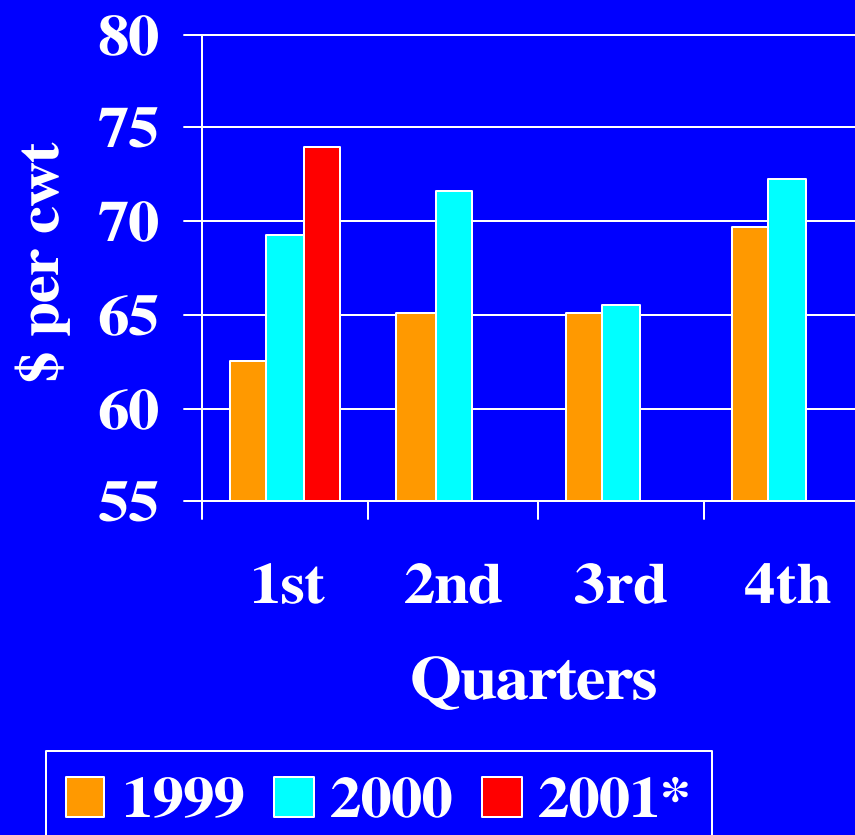


*Forecast

Cattle Prices Will Average \$72-77 per cwt

- Tightening supplies will lift cattle prices.
 - **First quarter will average \$73-75.**

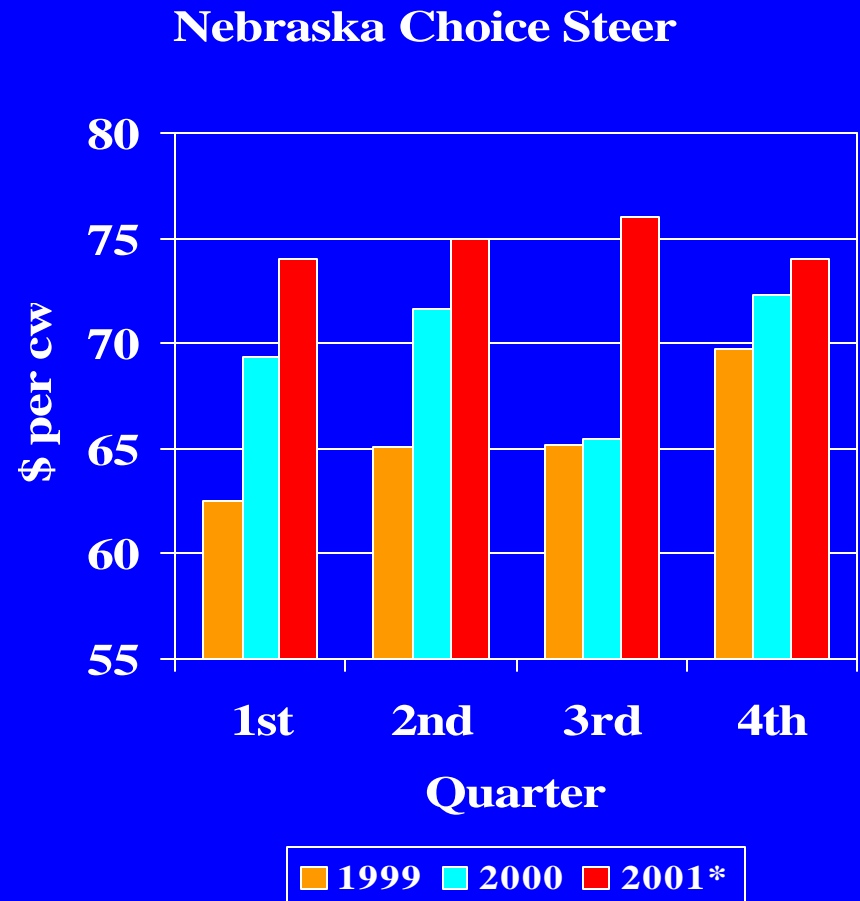
Nebraska Choice Steers



*Forecast

Cattle Prices Will Average \$72-77 per cwt

- Tightening supplies will lift cattle prices.
 - First quarter will average \$73-75.
 - Quarters 2 and 3 may see prices \$4-10 higher than year earlier.
 - Fourth quarter price likely to dip as supplies of other meat, especially pork, increase.

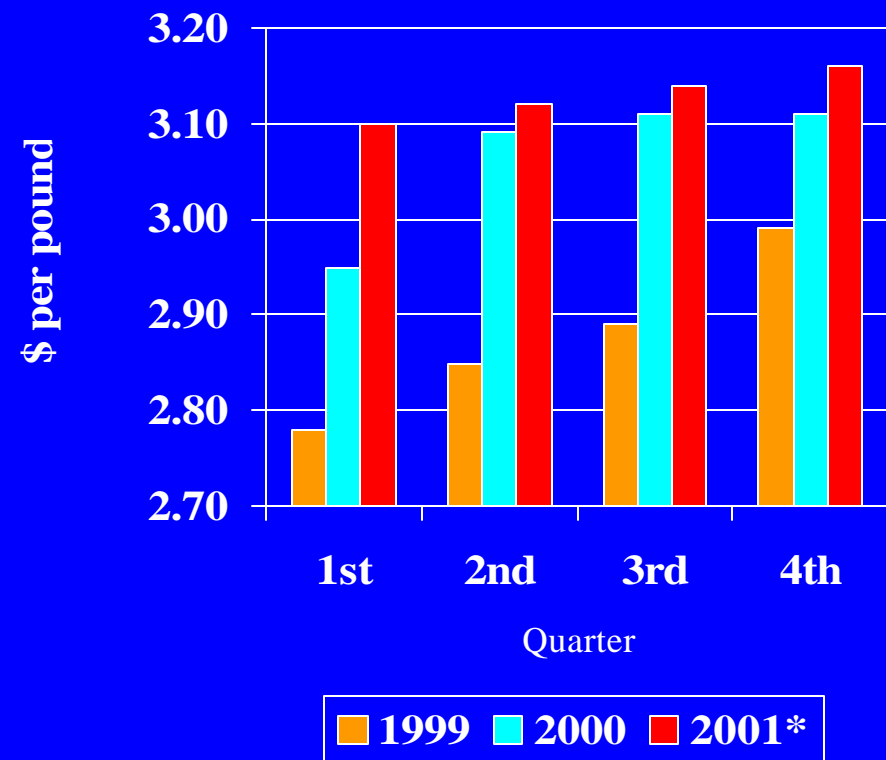


*Forecast

Retail Beef Prices Reach Record Levels

- Consumer demand for Choice beef was firm in 2000.
- Retail Choice beef prices topped \$3 per pound in April and continued to strengthen during the year.
- Choice beef prices were record strong last month, and retail prices are expected to increase each quarter in 2001.

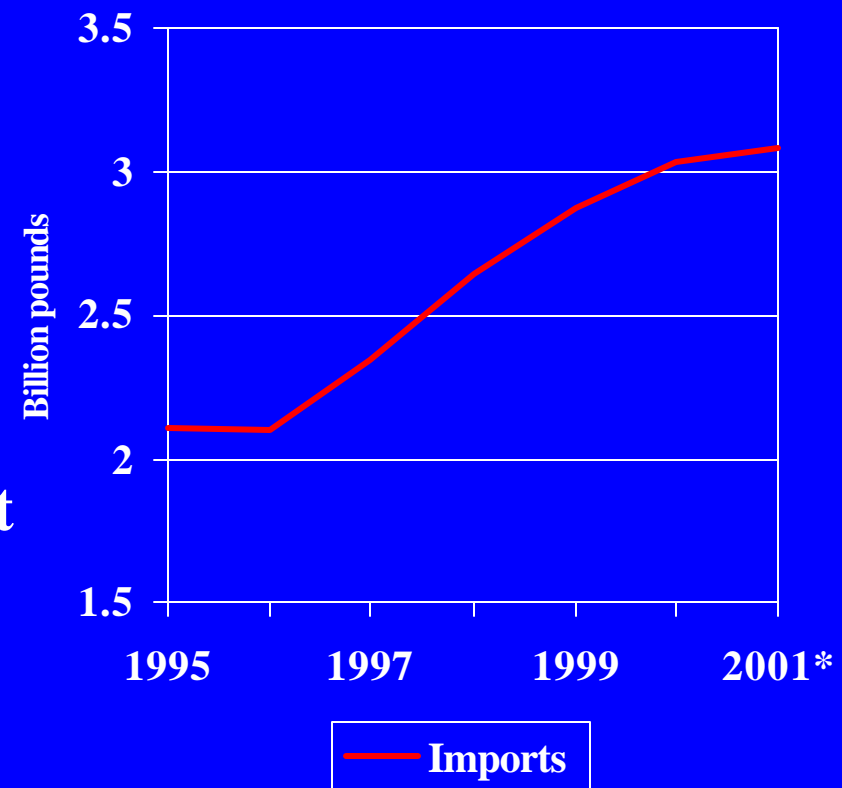
ERS Retail Choice Beef Price



*Estimated

Beef Imports to Remain High in 2001

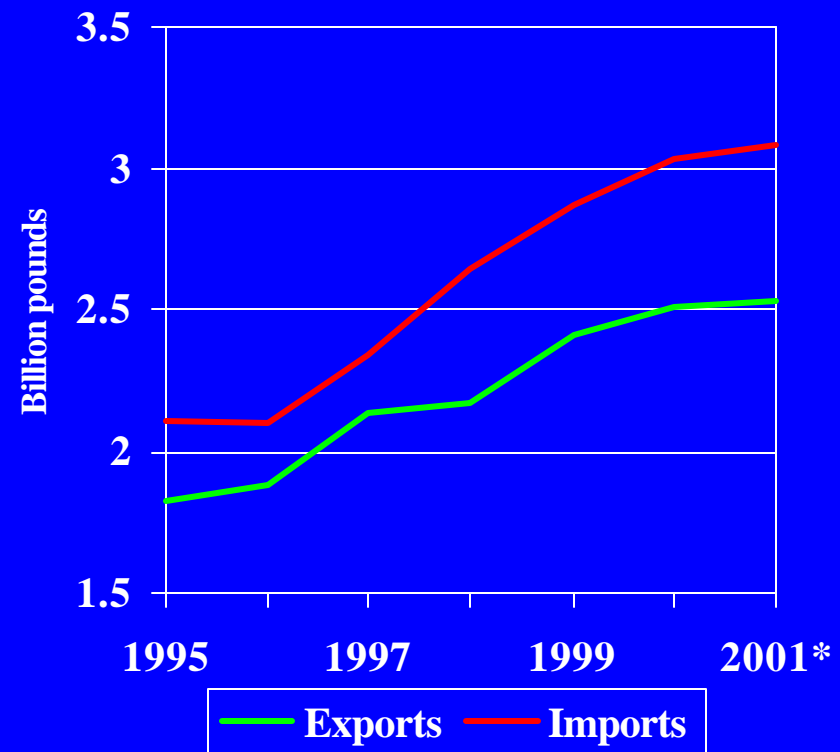
- Beef imports in 2000 reached record 3 billion pounds as cow slaughter declined.
- Australia and New Zealand increased shipments.
- Imports will remain at about the same high level, as Canada has reduced supplies.



*Forecast

Beef Exports to Rise Slightly in 2001

- Beef exports reached record 2.5 billion pounds in 2000.
- Exports forecast to increase about 1 percent in 2001 on continued strength to Asian markets and Mexico.
- Net imports of beef remain about the same as in 2000.

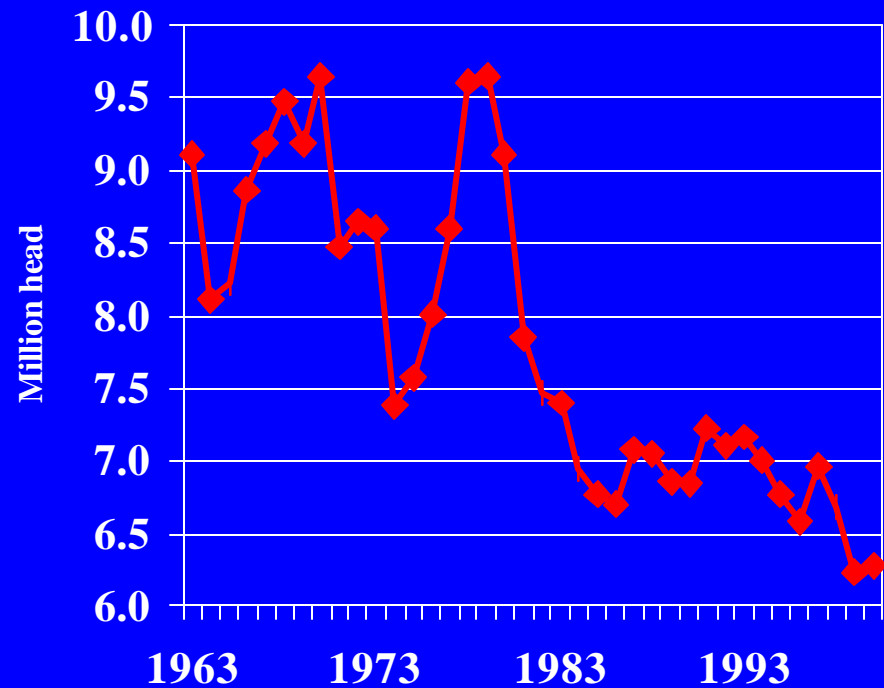


*Forecast

Pork Production Set to Expand in 2001

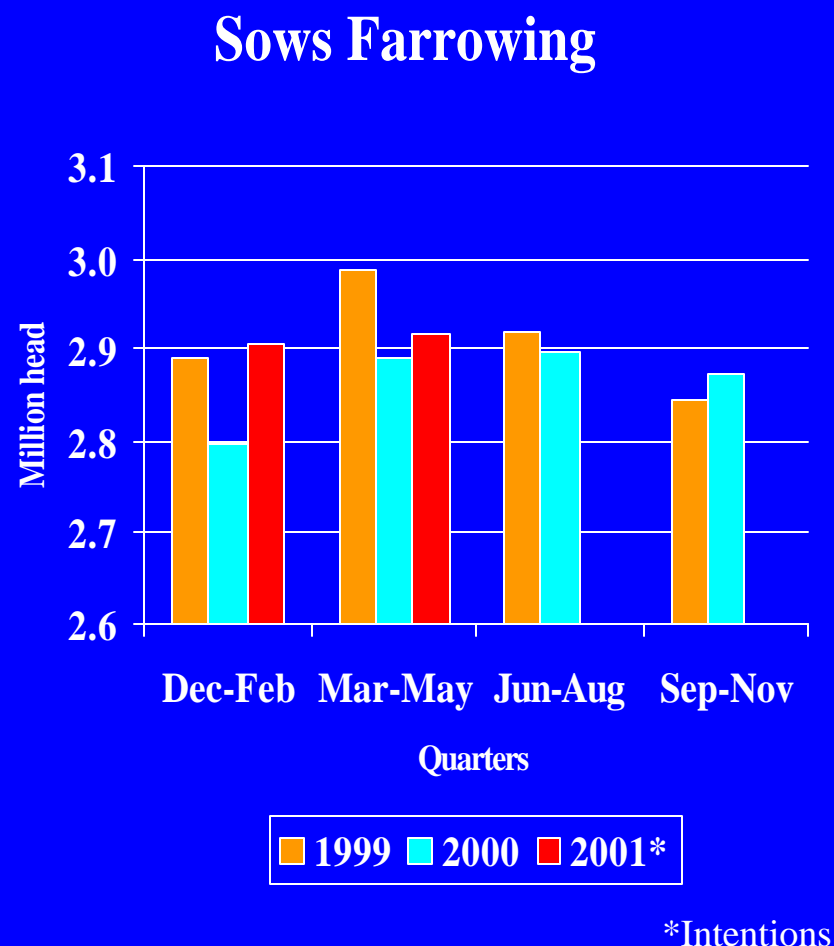
- The December 1, 2000 inventory of pigs kept for breeding increased nearly 1 percent (6.3 million head) after declining for 2 years.

Pigs Kept for Breeding - U.S.



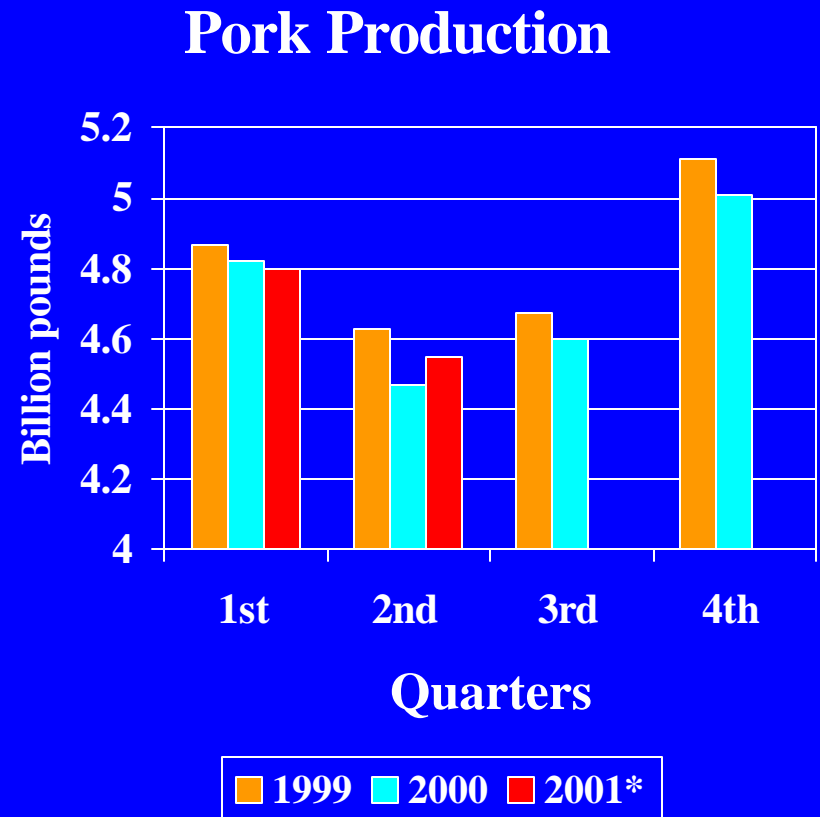
Sows Farrowing Start to Rise

- Producers intended to farrow 4 percent more sows in the Dec-Feb quarter.
- March-May intentions were only 1 percent higher.
 - Producers may still be somewhat cautious about expanding too rapidly.



Pork Production Expected to Rise to Near Record

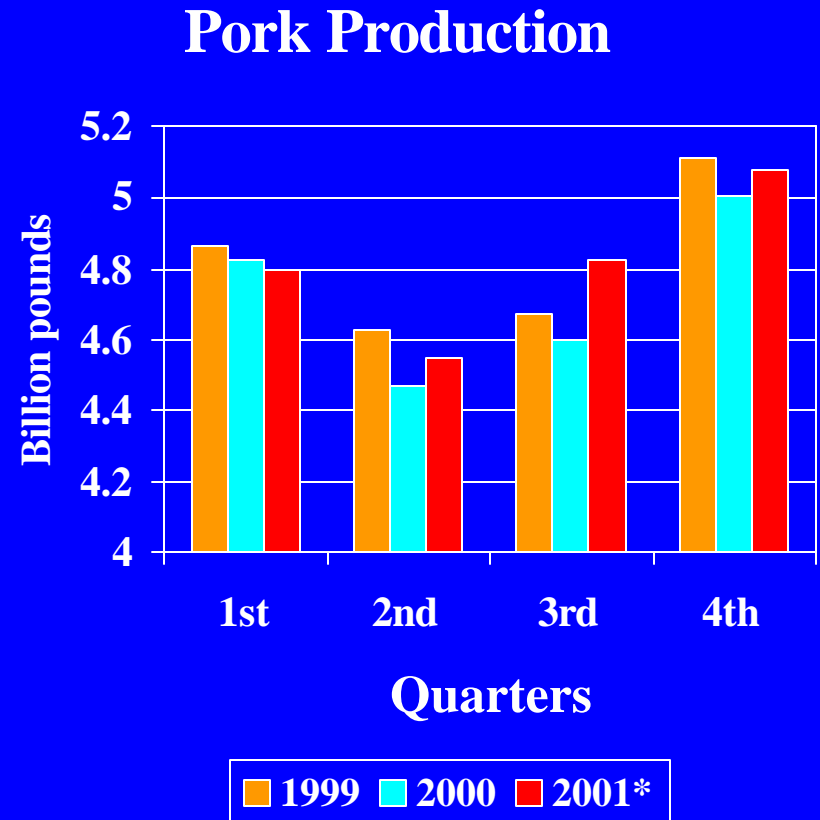
- Production is forecast to rise 2 percent to 19.25 billion pounds in 2001.
- First half production up less than 1 percent as production exceeds year earlier in second quarter.
 - Pig crop in fourth quarter 2000 2 percent above 1999.



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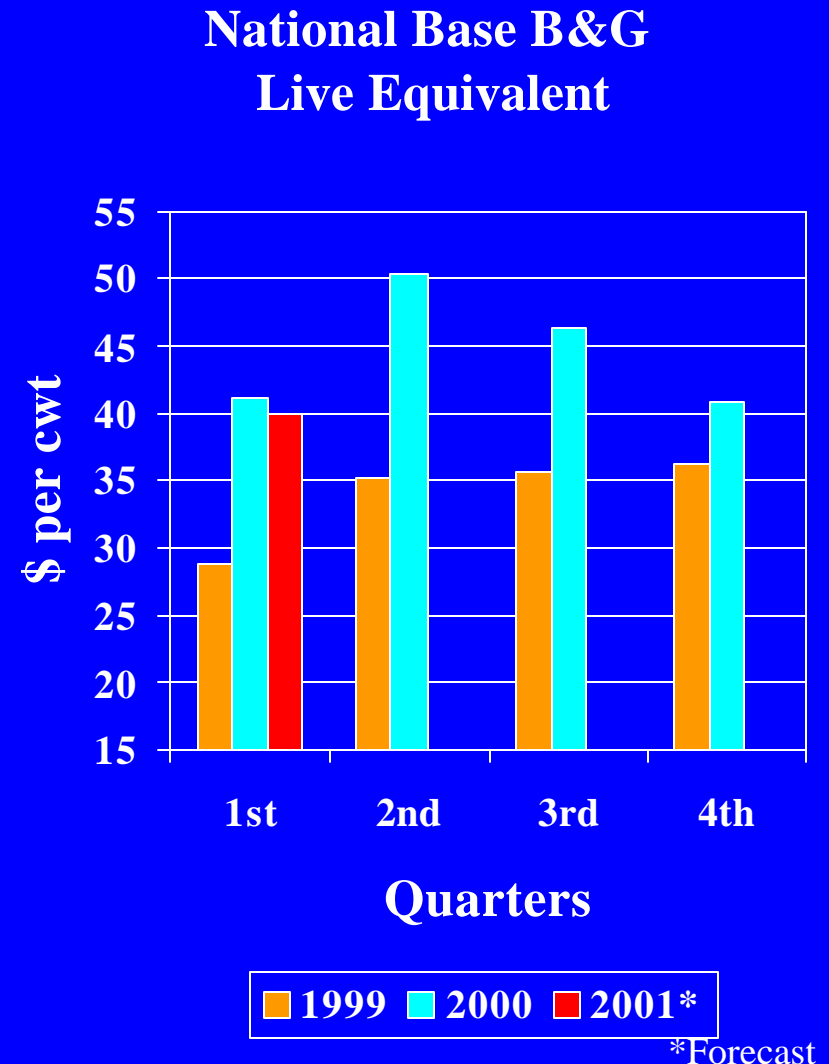
- Production is forecast to rise 2 percent to 19.25 billion pounds in 2001.
- First half production up less than 1 percent as production exceeds year earlier in second quarter.
 - Pig crop in fourth quarter 2000 2 percent above 1999.
- **Second half production is forecast near record large.**
 - **First half pig crop is forecast up about 3 percent.**
 - **Largest production gain in third quarter.**



*Forecast

Hog Prices to Drop in 2001

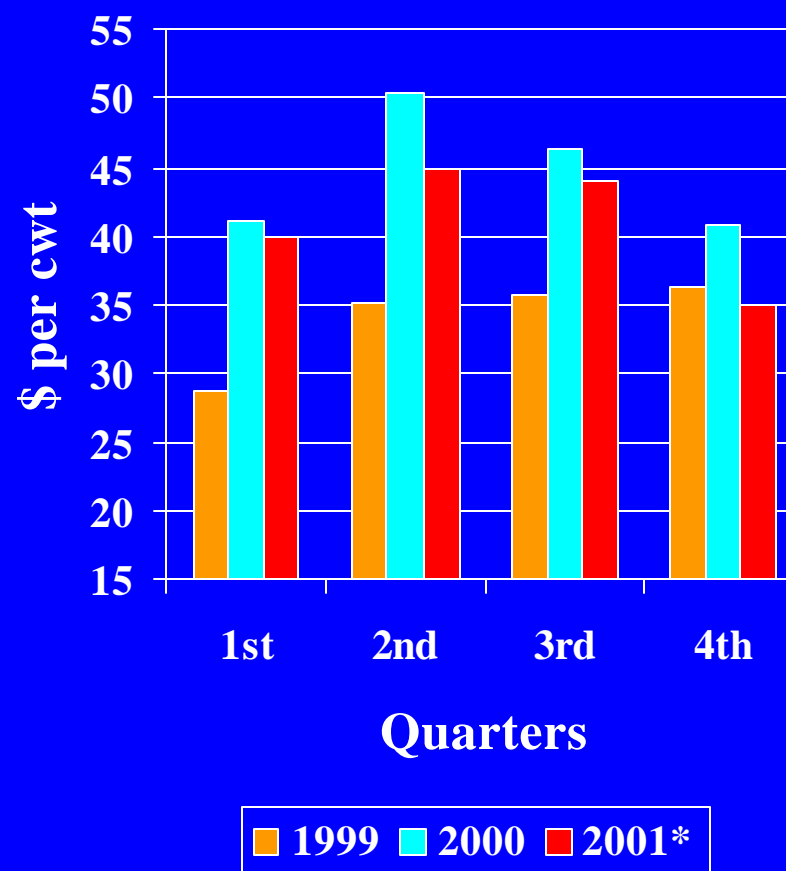
- Hog prices recovered to nearly \$45 per cwt in 2000, as production dropped and demand for pork was good through most of the year.
- First quarter 2001 price expected to decline to \$39-41 per cwt.



Hog Prices to Drop in 2001

- Hog prices recovered to nearly \$45 per cwt in 2000, as production dropped and demand for pork was good through most of the year.
- First quarter 2001 price expected to decline to \$39-41 per cwt.
- Middle quarters will fall below last year's highs as production builds.
- Prices in fourth quarter fall to \$34-36 per cwt.

National Base B&G
Live Equivalent

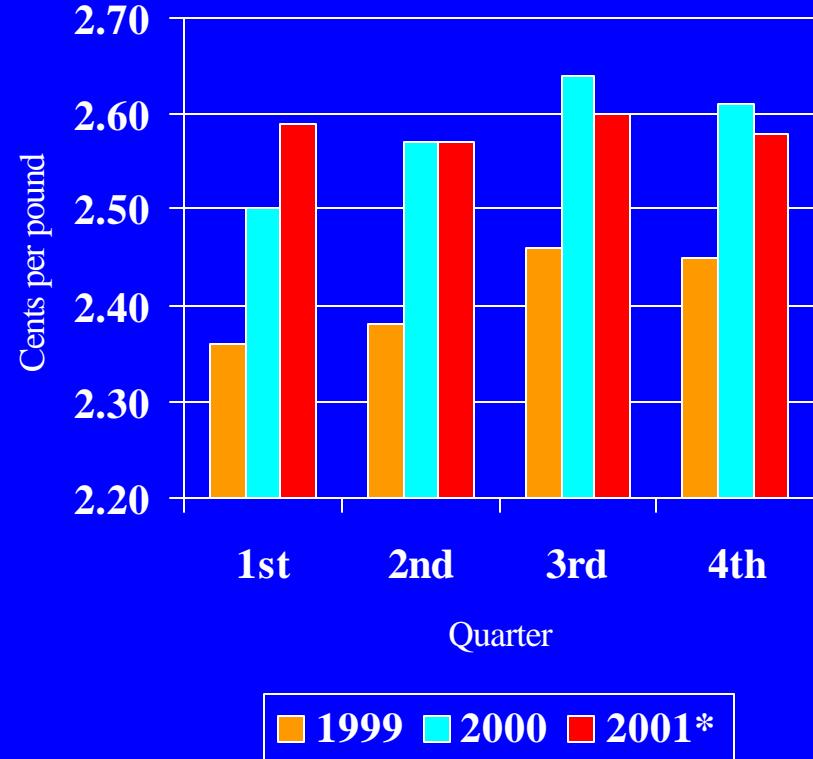


*Forecast

Pork Retail Prices Steady with Last Year

- Retail prices are expected to hold near last year's level of \$2.58 per pound.
- Demand for pork was firm last year, but there may be a bit more uncertainty about demand strength.
- Rising beef prices will likely help support pork price.

ERS Retail Pork Price

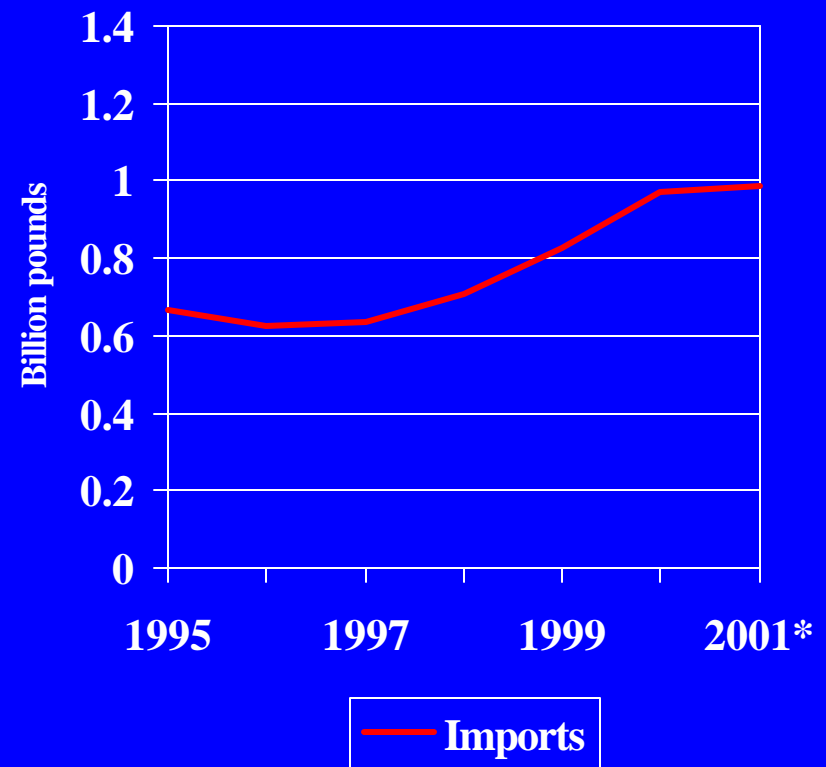


*Estimate

Pork Imports At Record Levels

- Pork imports in 2000 reach record 967 million pounds.
- Imports forecast to increase more slowly, to 985 million pounds as Canadian production expected to slow.

Pork Trade

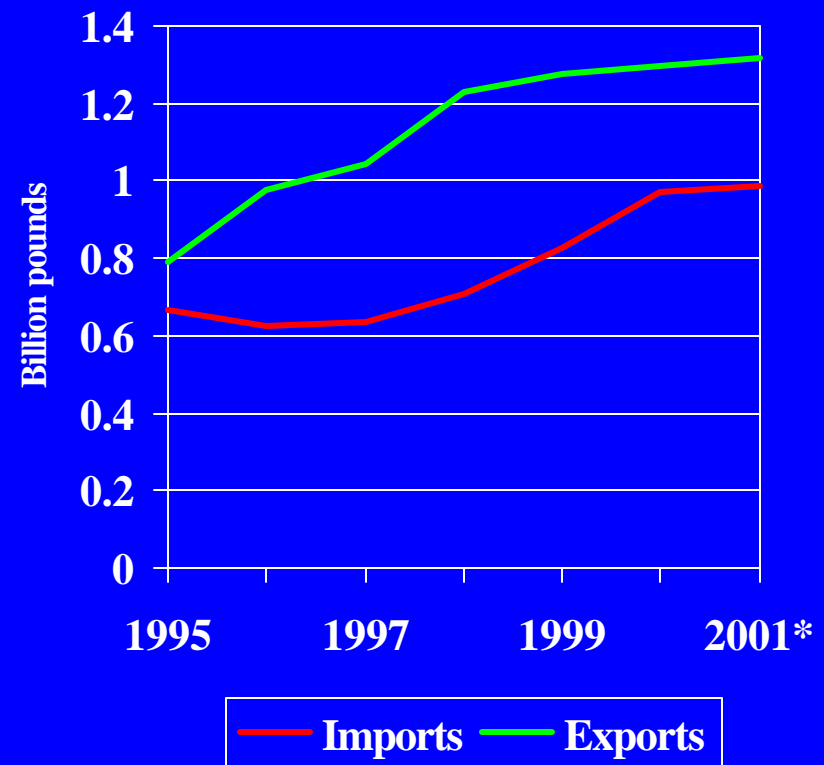


*Forecast

Pork Exports At Record Levels

- Pork imports in 2000 reach record 967 million pounds.
- Imports forecast to increase more slowly, to 985 million pounds as Canadian production expected to slow.
- **Pork exports are forecast to rise slightly above the record 1.3 billion pounds shipped in 2000.**
- **Shipments expected to remain strong to Japan and Mexico.**

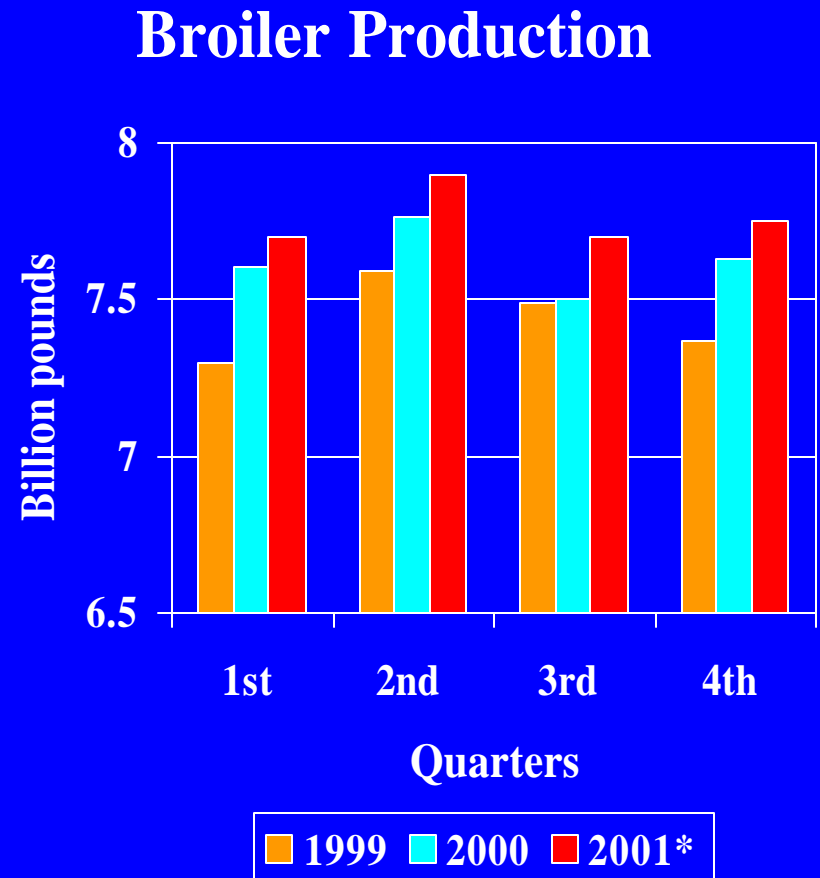
Pork Trade



*Forecast

Broiler Production Growth to Slow Further in 2001

- Weak prices discourage production growth. 2000 production gained 2.5 percent to 30.5 billion pounds.
- Production in 2001 is expected to grow less than 2 percent to 31.1 billion pounds.
- January 1 broiler hatching flock points to production growth slowing through the first part of the year.
- However, eggs per layer continues to improve.

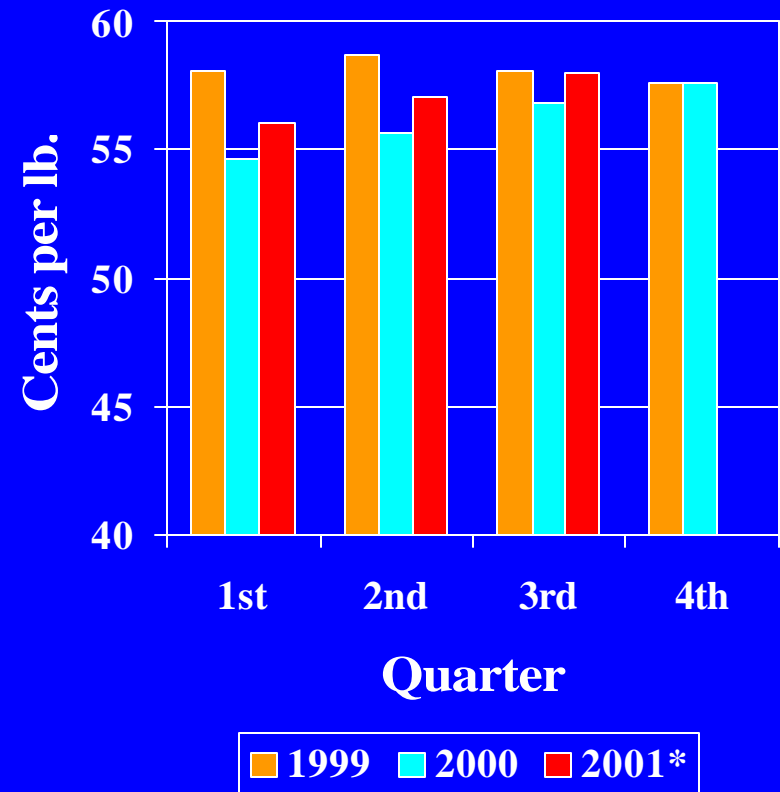


*Forecast

Broiler Prices to Increase Slightly in 2001

- Broiler prices declined about 2 cents per pound in 2000 as movement was sluggish.
- Slower production is forecast to lift prices.
 - Prices in the first three quarters are expected to exceed year ago.

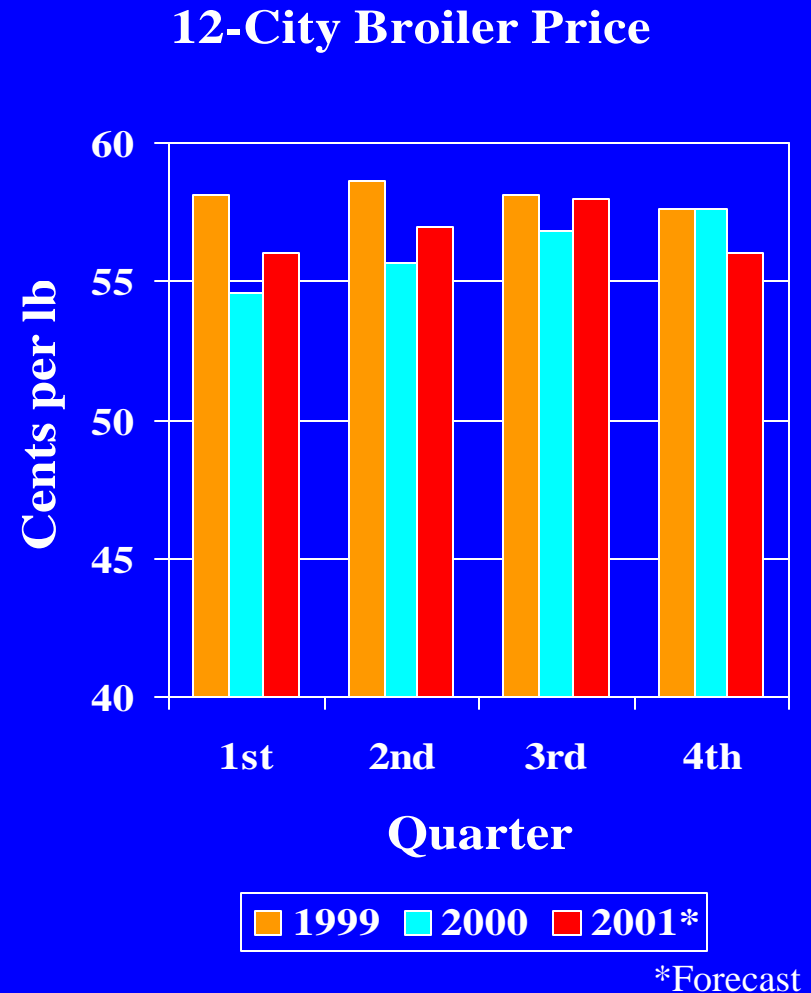
12-City Broiler Price



*Forecast

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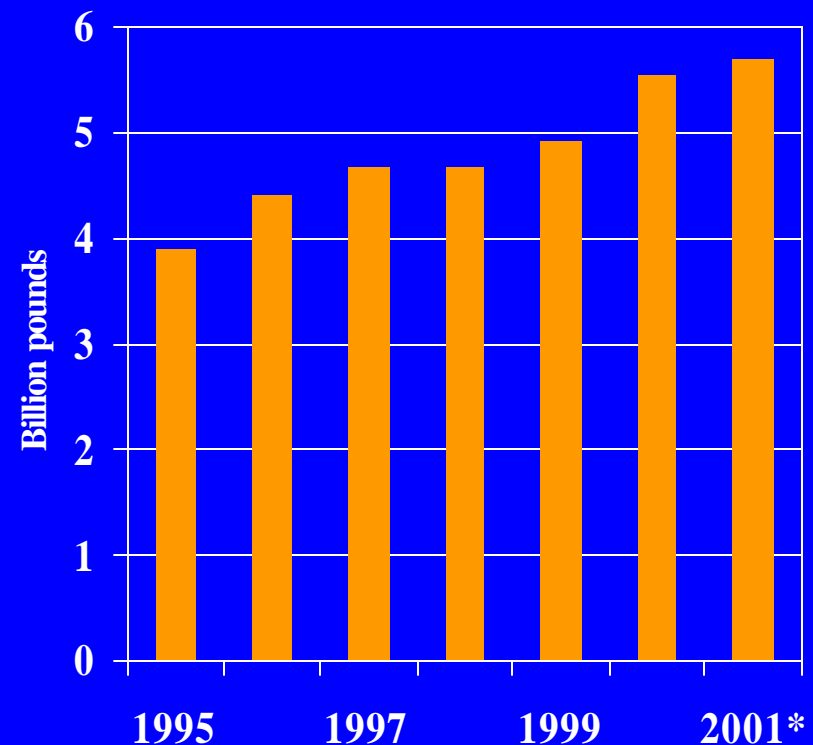
- Broiler prices declined about 2 cents per pound in 2000 as movement was sluggish.
- Slower production is forecast to lift prices.
 - Prices in the first three quarters are expected to exceed year ago.
 - Prices in fourth quarter weaken as large supplies of pork hit the market.
- Prices in 2001 are forecast to average 55-59 cents per pound.



Broiler Exports to Expand Again in 2001

- Exports in 2000 jumped 13 percent to 5.5 billion pounds.
- Commercial sales to Russia began to recover by mid year, and shipments to Hong Kong/China and Mexico were strong.
- These markets should continue to be strong in 2001.
- Broiler exports in 2001 are forecast to increase 3 percent to 5.7 billion pounds.

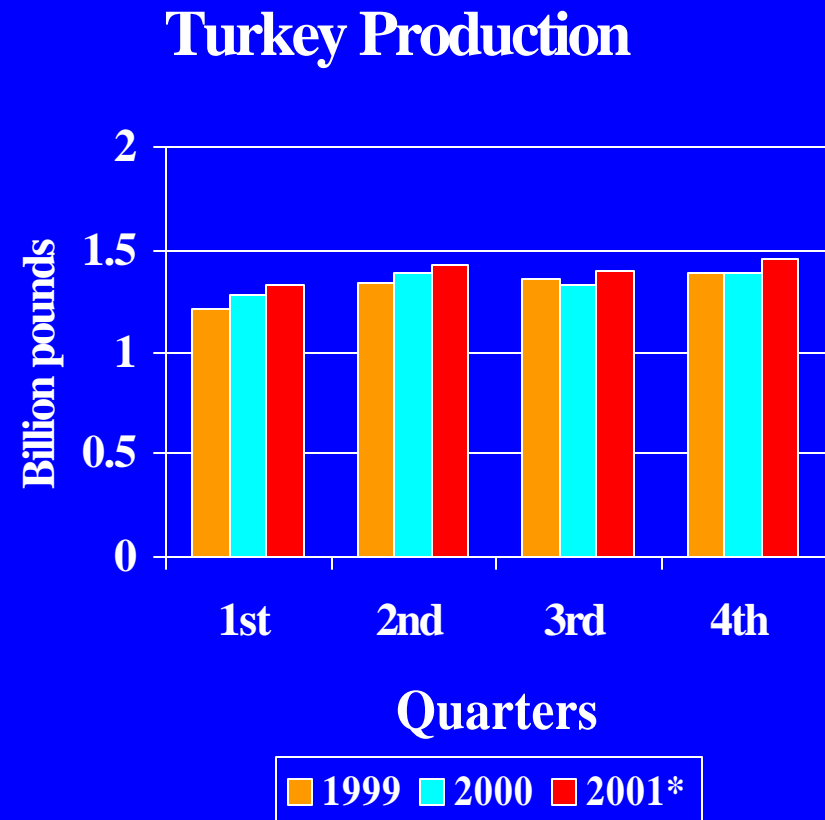
Broiler Exports



*Forecast

Turkey Production Continues Expansion in 2001

- Continued profitability in 2000 spurred a 2 percent expansion in production.
- Turkey production is forecast to increase nearly 4 percent to 5.6 billion pounds in 2001.

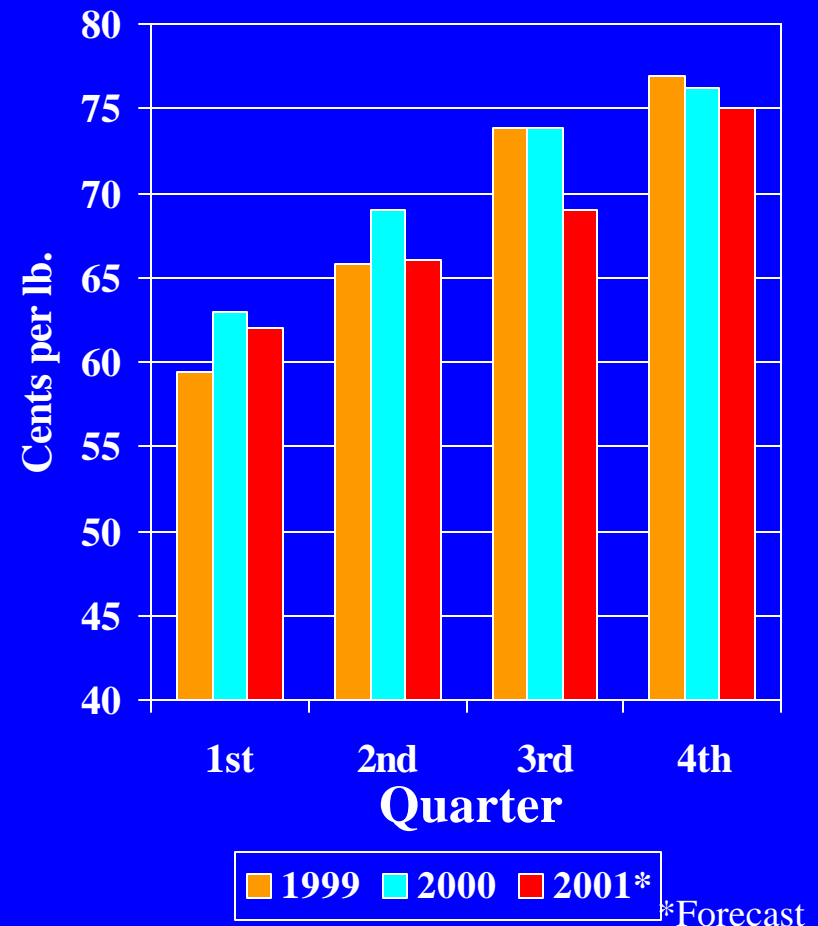


*Forecast

Turkey Prices to Weaken in 2001

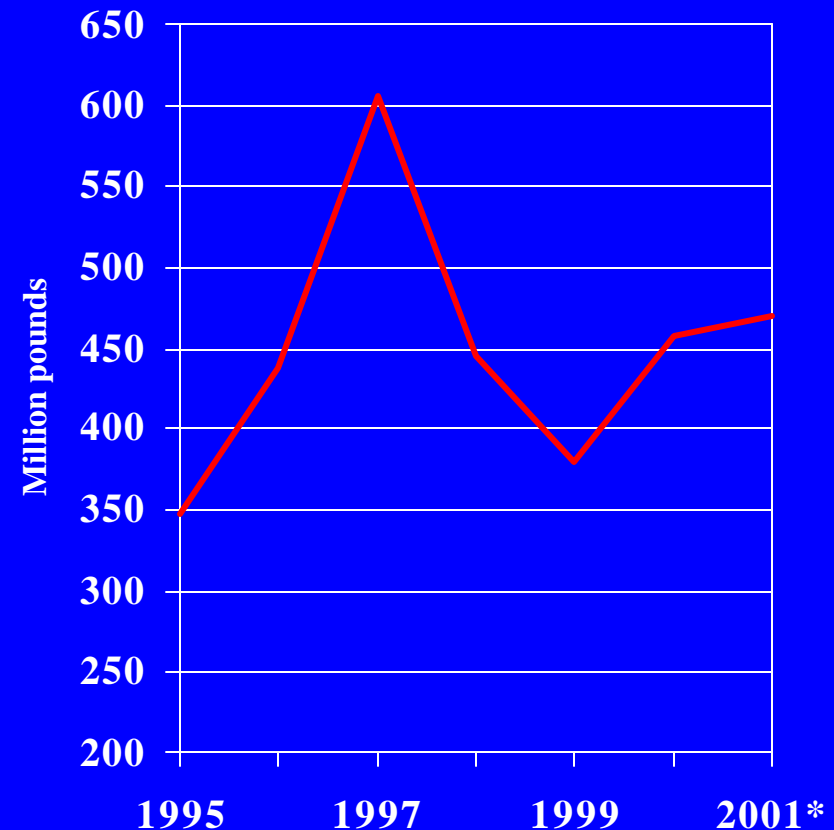
- A sharp increase in production will bring prices down in 2001.
- Prices are forecast at 66-70 cents per pound, compared to 70.5 cents in 2000.
- During the second half of 2001, prices will weaken as meat supplies will be ample.

Eastern Region Hen Price



Turkey Exports on the Rebound

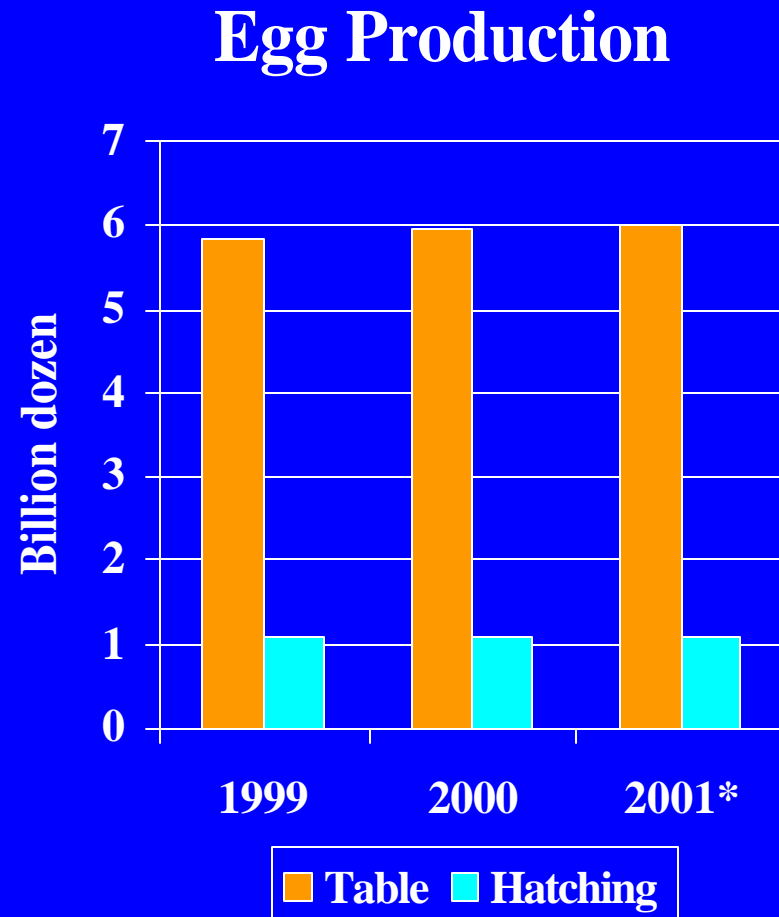
- Turkey exports in 2000 jumped 21 percent to nearly 460 million pounds.
- Shipments to Mexico increased 14 percent, and exports to Russia began to improve.
- Exports in 2001 are expected to increase about 3 percent.
- Mexico remains the major market, taking over 50 percent of U.S. turkey exports.
- Russian tariff policy will likely favor broiler imports over turkey.



*Forecast

Egg Production to Rise Slightly in 2001

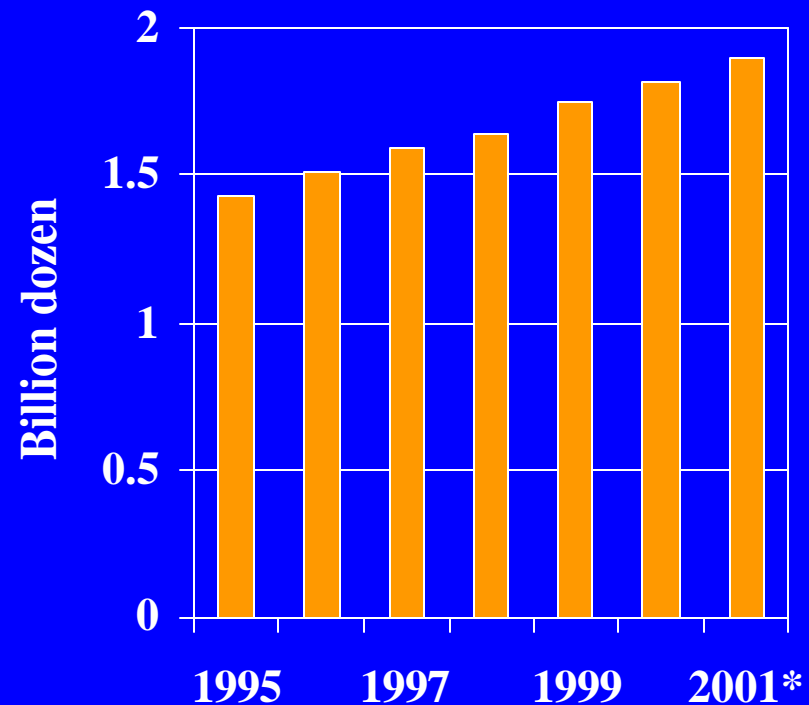
- Egg production forecast to increase slightly to 7.1 billion dozen, as returns were positive in 2000.
- Table egg production expanded 2 percent in 2000, less than 1 percent increase expected in 2001.
- Hatching egg production expected to remain about 1.08 billion dozen for third straight year, as broiler production slows.



Eggs Broken Continues to Rise

- Eggs broken are forecast to rise to 1.9 billion dozen in 2001.
- Upward trend in eggs broken increases as eggs are consumed as an ingredient in products, e.g., baked goods.
- Demand for pasteurized eggs products is strong, especially in food service.

Eggs Broken

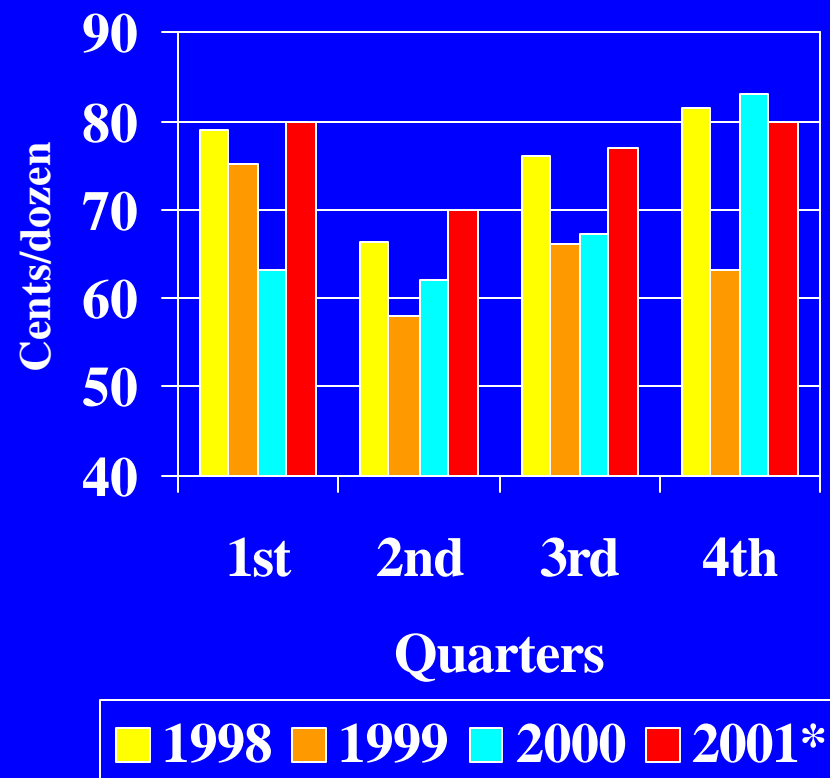


*Estimated

Egg Prices Forecast to Increase in 2001

- Prices are expected to reach 73-78 cents per dozen in 2001.
- Stable production and rising use should boost prices back up to 1998 level.

Grade A, Large, NY



*Forecast

Additional 2001 Forecast Information is Available

- World Agricultural Supply and Demand Estimates
 - www.usda.gov/agencies/oce/waob
- Livestock, Dairy, and Poultry Situation and Outlook
 - www.ers.usda.gov
- Livestock and Poultry: World Markets and Trade
 - www.fas.usda.gov/dlp/dlp.html